

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
COME-00 EB-08 LAB-04 SIL-01 TRSE-00 AID-05 OMB-01
/084 W

-----084024 131235Z /41

R 121453Z MAY 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9056
INFO AMCONSUL ALEXANDRIA

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E.O. 11652: N/A
TAGS: ECON, PINT, EG
SUBJ: GOE CONTINUES REASSURE POPULATION ON WAGE INCREASES
- AND OTHER BENEFITS

1. PAST FEW DAYS HAVE SEEN MAXIMUM PUBLICITY GIVEN TO GOE EFFORTS INCREASE PAY OF MANY EGYPTIAN WAGE EARNERS. GOVERNMENT'S INTENSITY RE ASSURING POPULATION THAT IT INTENDS TO GO AHEAD WITH BROAD RANGE OF MEASURES DESIGNED TO INCREASE WAGES IS PROBABLY FUNCTION OF ITS PERCEPTION OF MAGNITUDE OF POPULAR DISCONTENT. ALTHOUGH MANY EGYPTIANS TEND TO LOOK UPON GOVERNMENT PROMISES WITH SKEPTICISM, GOE LEADERS EVIDENTLY BELIEVE HOPE SPRINGS ETERNAL AMONG POPULACE AND ASSIDUOUSLY FURTHERS THOSE HOPES THROUGH PUBLIC ACCOUNCEMENTS OF ITS INTENTIONS.

2. PRESS EMPHASIZED MAY 6 - 8 THAT GOVERNMENT IS MOVING RAPIDLY TO PAY 10-DAY BONUS GRANTED TO ALL GOVERNMENT AND PUBLIC SECTOR WORKERS DURING SADAT MAY DAY SPEECH MAY 2 AT SHUBRA AL-KHEIMA. PRIME MINISTER REPORTEDLY EXPANDED COVERAGE OF THAT DECISION TO INCLUDE VIRTUALLY ALL PERSONS WITH EVEN SLIGHT CONNECTION WITH GOE AND ALSO EXEMPTED
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BONUS FROM IMMEDIATE TAXATION. THERE WAS REPORTEDLY A LIMIT OF THIRTY POUNDS IN BENEFITS FOR ANY ONE PERSON, BUT THAT POINT RECEIVED NO PUBLICITY. PRESS ATTACHED GREAT IMPORTANCE TO PA'S PASSING TAX REFORM BILL INCREASING TAX EXEMPTION OF WORKERS FROM 360 TO 660 POUNDS PER YEAR, ACCORDING NEWS ACCOUNTS, AND PROVIDING SPECIAL BENEFITS FOR DAILY PAID WAGE EARNERS, LOWEST ON INCOME SCALE.

3. BY WEEK'S END PRESIDENT HAD ISSUED SEVERAL DECREES WHICH , ALTHOUGH THEY ARE NOT CONCERNED WITH NEW PROGRAMS, TENDED TO KEEP UP MOMENTUM OF GOVERNMENT'S PUBLICITY ON ITS DILIGENT EFFORTS IN WORKERS' BEHALF. PRESIDENT DECREES SPEEDED UP GOVERNMENT ACTION, BEGUN IN 1975, TO PROVIDE OVERDUE PROMOTIONS TO MANY CIVIL SERVICE EMPLOYEES. PRESUMABLY PRESIDENT DID SO NOW IN ADVANCE OF APPROVAL OF CIVIL SERVICE RESTRUCTURING MOVES TO GIVE THOSE EMMLOYEES EXTRA BENEFITS. SADAT ALSO DECREED THAT COST OF LIVING ALLOWANCE, FIRST GRANTED IN 1975, WOULD AGAIN THIS YEAR NOT BE DEDUCTED FROM ANY ANNUAL INCREASE IN WORKERS' SALARIES. (HE DID THIS IN 1976 AND 1977 AS WELL.)

4. NEWS WAS PUBLISHED MAY 11 THAT PRESIDENT HAD APPROVED, FOLLOWING PA COMMITTEE ENDORSEMENT, 15 PER CENT ANNUAL INCREASE FOR WORKERS IN PRIVATE SECTOR. INCREASE, HOWEVER, LIMITED TO SIX POUNDS PER MONTH PER WORKER BUT WAS MADE RETROACTIVE TO JANUARY 1, 1978. PRIVATE SECTOR INCREASES, WHICH HAD BEEN FRONT PAGE NEWS JUST TWO WEEKS AGO GOT SECOND PLACE POSITION, HOWEVER. SOMEWHAT SURPRISINGLY, CABINET CALL FOR MORE INCENTIVES IN PUBLIC SECTOR COMPANIES RECEIVED HEADLINE TREATMENT INSTEAD.

5. ONLY SOUR NOTE IN WHOLE ORCHESTRATION OCCURRED DURING MANPOWER COMMITTEE'S DEBATE OF LAW ON PUBLIC SECTOR AND LIMITED OFFICIAL USE

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CIVIL SERVICE WAGE INCREASES. PA COMMITTEE PROPOSED ADDITIONAL INCREASES IN CIVIL SERVICE SCALES. UNIDENTIFIED MINISTRY OF FINANCE UNDERSECRETARY TOLD COMMITTEE THAT ADDITIONAL 37 MILLION POUNDS THEY PROPOSING TO ADD COULD NOT BE CONSIDERED SERIOUSLY BECAUSE OF BUDGET CONSTRAINTS. COMMITTEE CHALLENGED MINFIN TO COME UP WITH COMPROMISE AND IN PROTEST THIS NEGATIVE REACTION SUSPENDED THEIR DEBATE ON WAGE INCREASES.

6. COMMENT: AS NOTED REFTTEL, THERE ARE STILL THOSE WHO FEAR GOE IS NOT SUFFICIENTLY AWARE OF INFLATIONARY IMPACT OF VARIOUS MEASURES DESIGNED TO PUT MORE MONEY INTO LARGE NUMBER OF POCKETS. INCREASES IN WAGES OF COURSE MUST BE CONSIDERED IN CONJUNCTION WITH RECENT INCREASES IN PRICES, AND THERE IS SOME EVIDENCE TO SUPPORT PROPOSITION THAT WAGE INCREASES ARE STILL ROUGHLY IN LINE WITH CURRENT AND PLANNED PRICE INCREASES. IT WOULD APPEAR TO US, HOWEVER, THAT CONFLUENCE OF PUBLIC AND PRIVATE SECTOR WAGE INCREASES, IMPLEMENTATION OF OVERDUE PROMOTIONS, EXEMPTION OF MANY BENEFITS FROM TAXATION AND NEW TAX BENEFITS COULD, DEPENDING ON SPEED WITH WHICH THEY ARE IMPLEMENTED, MEAN CONSIDERABLE INCREASED DISPOSABLE INCOME IN ECONOMY IN

NEXT TWO QUARTERS. EFFECT OF THESE MEASURES ON
ECONOMY WILL BEAR CLOSE WATCHING. EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC PROGRAMS, WAGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO12770
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780203-0912
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780566/aaaacdsa.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: eae316a0-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2711477
Secure: OPEN
Status: NATIVE
Subject: GOE CONTINUES REASSURE POPULATION ON WAGE INCREASES - AND OTHER BENEFITS
TAGS: ECON, PINT, EG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/eae316a0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014